

PRESS RELEASE

Information Division, Ministry of Communications & Information, 36th Storey, PSA Building, 460 Alexandra Road, Singapore 0511. Tel: 2799794/5

51-52-4

Release No: 54/MAR
09-3/89/03/28

SPEECH DELIVERED BY MR PETER SUNG, MINISTER OF STATE
(FOREIGN AFFAIRS) AND (NATIONAL DEVELOPMENT),
AT THE 45TH ESCAP SESSION, BANGKOK, ON 28 MARCH 1989

FELICITATIONS

On behalf of the Singapore delegation, I extend to Your Excellency my warmest congratulations on your election to the chairmanship of the 45th session of ESCAP. I am confident that under your guidance and leadership this session will be productive.

I also take this opportunity to thank His Excellency, Mr Kibria, and the staff of ESCAP, for the efficient arrangements for this session and for the preparation of the comprehensive conference documents.

Allow me also to express my delegation's gratitude to the government and people of Thailand for the gracious and warm hospitality accorded to us.

CHANGES IN WORLD ECONOMIC ORDER

Today, many fundamental changes are taking place in the world economic order.

- (a) Sustained international economic imbalances, unstable exchange rates and rising protectionist sentiments indicate that the global trading system is not managing well under the pressures exerted on it.

- (b) Non-tariff barriers are extensive and are being increasingly used as a form of protectionism. In September 1986, GATT identified 93 major export restraints arrangements. One year later, the number had increased to 135.
- (c) The mid-term review of the Uruguay Round last December failed to reach agreement on agriculture, services and intellectual property rights.
- (d) The creation of a North American free trade area and the impending establishment of a single European market in 1992 have deepened fears that global trade is about to be carved out into regional blocs.
- (e) The developing economies of ESCAP continue to be seriously affected by low commodity prices and a heavy debt-servicing burden.

AN ASIA-PACIFIC FORUM?

In the light of these developments in the international environment, the countries in ESCAP will need to develop suitable responses. A number of proposals have been made.

- (a) In July 1988, the then US Secretary of State, Mr George Shultz, suggested that it might be worthwhile for Pacific Basin countries to develop a forum to compare experiences and study subjects of common interest.
- (b) In February 1989, the Australian Prime Minister, Mr Bob Hawke, said that an Asia Pacific consultation forum, styled after the OECD, would strengthen the region's bargaining power in global negotiations to maintain an open international trading system.

- (c) Japan has been holding talks with various countries to achieve wider and more effective economic co-operation in the Asia-Pacific Region.
- (d) Air Chief Marshal Siddhi Savetsila has also proposed the formation of a forum involving the US, Japan and the ASEAN countries.

All these proposals deserve serious consideration.

ELEMENTS OF A GOOD RESPONSE

There are three basic requirements for sustained economic growth and development. These are trade, investment and human resource development. Any regional consultative mechanism will need to address these three issues.

TRADE: Necessity of free trade

Many of us know that free trade and outward-looking strategies are good for development. Countries with open economies reap the benefits of their comparative advantages. They are able to export those goods and services in which they excel. Their exports bring in foreign exchange. With foreign exchange, they can import goods and technology. They can also attract foreign investment which leads to further development.

This is not mere text-book theory. The experience of my country is real. It provides empirical evidence of the value of free and fair trade.

Any regional consultation should therefore focus on the methods of promoting free and fair trade so that everyone can achieve export growth. Every effort should be exerted to reduce, if not eliminate, existing barriers to trade.

Therefore, in promoting trade among countries of ESCAP, we should be careful not to convey the impression that we are seeking self-sufficiency.

- (a) Intra-regional co-operation can strengthen our economies against adverse external conditions, but it can never substitute for a genuine multilateral international trading system.
- (b) The industrialised economies have much to offer to us. We also have much to offer to them. To go for self-sufficiency is to forego the benefits of exchange.
- (c) There are many examples where economic isolation has caused material poverty and economic backwardness.

We must therefore continue to espouse the virtues of free trade at international forums and practise it at home, because more than economic issues are involved.

INVESTMENT: Importance of foreign investment

Apart from trade, another basic requirement for economic development is direct foreign investment. Foreign investment provides the capital, plant and technology necessary for production. Experience shows that a continual inflow of foreign investment is essential for economic development.

- (a) This is because existing plants need to be replaced over time. Otherwise, they become obsolete and their efficiency falls. Goods will be produced at a higher cost and with lower quality. These cannot compete in world markets.

- (b) Another reason why investment must be continuous is that the market continues to evolve. Old equipment cannot produce new products competitively.

INVESTMENT: Regional sources

Up to recently, foreign investments in the region had come largely from the West, mainly the US and Europe. The West will continue to be an important source of foreign investment. But there is a growing role for some cash-rich countries in the region to provide investment for other countries in the Asia-Pacific.

INVESTMENT: Private Sector

Private sector investment is important. In the hands of businessmen, a continuous flow of investment can be maintained if conditions are right. On the other hand, aid has a limit.

The economies of many developing countries are agriculture-based. Whatever the successes in industrialisation, agriculture will continue to play an important role in economic development.

For this reason, it may be useful for developing countries to try to attract investments in post-harvest processing facilities. These facilities provide a continuing market for the products of the farmers and agricultural workers. They therefore can provide a continuing source of income for the people in the rural areas.

These post-harvest facilities should preferably be joint ventures between local businessmen and foreign investors. The foreign investors provide links to the

international markets for the processed material. In this way, they provide a continuing market for the output of the processing plants and therefore for the exports of developing countries. The joint ventures become a cooperative effort in which foreign investors provide the capital, the technology as well as the markets and the developing countries provide what they have in abundance - the labour and local inputs.

As private sector enterprises, these processing facilities need only a minimum amount of government encouragement in terms of infrastructure. When created, these processing facilities can provide a continuing source of income for the rural people in the less developed countries.

INVESTMENT: Appropriate conditions

In order to attract foreign investment, developing countries need to create appropriate conditions. Foreign investors look:

- (a) for political stability;
- (b) for security, peace and order;
- (c) for an economic environment conducive to business; and above all
- (d) for opportunities to make sustained profits over a period of time.

It is necessary for countries in the region to pay sufficient attention to these factors. In this way (a) they are ready to receive foreign investments when these become available; and (b) they will show themselves worthy of the foreign investment.

HUMAN RESOURCES AND ECONOMIC GROWTH

The third requirement for economic growth is human resources. Today, technology plays a significant role in agriculture, in industrial production and in the provision of services. Rapid technological progress causes a concomitant change in the human skills required for work. If the skills are not available, then efforts to attain economic growth may be frustrated.

HUMAN RESOURCE DEVELOPMENT: Singapore's experience

Education, vocational training and skills development are the cornerstones of Singapore's strategy for economic development. We believe that a trained and educated workforce is essential for growth. So, we try:

- (a) to educate each individual to his maximum potential;
- (b) to develop his creativity and flexibility; and
- (c) to upgrade his skills continuously.

Only then can we provide skilled manpower. Only then can we ensure that the supply of skills matches the demands in new and emerging technologies. Only then can we produce goods and services at internationally competitive prices. Only then can our people enjoy a rising standard of living.

HUMAN RESOURCE DEVELOPMENT: The Asia-Pacific

I mention Singapore's experience not because I think ours is the only way. I merely wish to use it as an example to encourage development of human resources. For the Asia-Pacific region is not short of manpower. It has a huge workforce. If this workforce is left untapped or if it cannot perform useful work because of lack of

training, then enormous resources will be wasted. The population will be caught in a poverty trap and improvements in the quality of life will be slow.

The proposed forum for the Asia-Pacific should find ways to help the developing countries in their efforts in human resources development. If this succeeds, the developing countries will grow. In the process, they will provide additional markets for the goods and services of the developed countries. This is mutually beneficial. A virtuous cycle will be created. This is a good way to break the vicious cycle of poverty.

CONCLUSION

Since its establishment 42 years ago, ESCAP has become the main economic and social development forum for the Asia-Pacific. At this time of rapid and fundamental economic changes in the world, ESCAP has an increasingly important role to play. I have outlined three areas for attention. Other delegations will no doubt have further ideas. I hope all these will be considered. I also hope our deliberations will produce an action programme which will benefit the peoples in this region. Only then can ESCAP be worthy of the stature it now enjoys.

- - - - -